

UNEMPLOYMENT SITUATION IN THE INDIAN ECONOMY DURING COVID 19

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Abstract

The paper focuses to study the Indian labor market in urban areas due to shock of the Covid 19 Pandemic by accessing the secondary data from Periodic Labour Survey. The paper attempts to study and identify the factors behind the falling unemployment rate in the Indian Urban Labor Market during the era of Covid 19. In contemplation of the identification of the factor among the broad status of employment, for the contrasting picture on the decline in the Unemployment rate in the urban areas during the Pandemic times, the paper identifies some of the factors as Own_account_worker_employer and Helper_in_hosehold_expenditure.

Keywords: Unemployment rate, Covid 19, Indian Urban Labor Market, Periodic Labor Survey

1. INTRODUCTION

Kapoor (2020) has put forwarded an insight on the sudden and widespread outbreak of Covid 19 pandemic has brought about an unprecedented challenge globally. Likewise the hit of the pandemic on India was devastating and it has not only created a public health crisis but also an economic crisis such as shock to the labor markets and levels of unemployment have surged. The effect of the pandemic and the containment measures on the Indian Labor market by examining the vulnerability of India's workforce in terms of work arrangements, security of tenure and the sectoral employment are likely to be particularly severe for workers in more precarious forms of employment that offer little or no security of tenure, no written contracts or basic protection. During the era of Pandemic, the job losses were not only evident in the formal sector of casual workers but also much evident in the informal sector, unorganized sector and the self-employed who predominantly own account workers and the unpaid family workers are likely to witness a significant loss of the livelihoods. Barker, Nathan et al. (2020) reported 25% greater decline in earning and fourfold greater prevalence of food insecurity among migrant households since March. The causes mentioned in the paper were lower migration rates, less remittances income per migrant, isolation in the origin communities and greater health risks.

Based on the experiences of the advanced industrial economies, which had nearly full employment in urban areas, the experiences of the third world were characterized by a relatively slow rate of job creation in urban regions, which was unable to keep up with the rising urban migration (Todaro 1969,1980).Even though urban unemployment and underemployment were on the rise, cityward migration persisted in the 1970s and 1980s. The effects of internal migration on rural productivity and income distribution were then considered less positively than they are today (Lipton,1976). Todaro (1969) argued that rather than actual salary differences between the source and destination countries, migration decisions are based

on predicted earnings determined by employability and earning differences. A rational migrant relocates when his expected net return at his new location is favourable. According to studies, the Indian labor market is highly volatile due to unfavorable economic shocks, and Covid 19 is escalating this situation. The Covid 19 breakout has affected how well the Indian economy functions, and one of its effects—an economic downturn—has been attributed to the volatility of the Indian labor market as a result of labor migration. According to a recent study by Himanshu (2019), agrarian misery in the rural economy has been accumulating for some time, and income growth has been slow-moving since 2014–15. Since the situation has already started getting worse over the years, Covid 19 has added more migrants who lost their jobs during this time period and reverted to their villages in search of employment opportunities in the agricultural sector. As a result, this sector will serve as the last resort employer.

In the light of this, the paper attempts to study and identify the factors behind the falling unemployment rate in the Indian Urban Labor Market during the era of Covid 19. A variety of factors have contributed to a reduced unemployment rate and that the conditions of unemployment in the urban labor market are on the decline. Finding the factors that have an effect on the declining unemployment rate and determining the correlation between the factors and the unemployment rate are important goals of this paper because they will allow for a useful study that will show how the other remaining factors are progressing similarly.

2. DATA AND METHODOLOGY

The study is based on the secondary data of the reports provided by the Governmental Organizations, Quarterly Bulletin reports of Periodic Labor Force Survey (PLFS) 2018/22 for the urban areas. Annual reports of Periodic Labor Force Survey (PLFS) 2017/21. The total number of survey period is 17 that start from April 2018-April 2022. The working papers, seminal papers are being used to have an idea on the trend and patter of labor migration. The study uses the help of Tables and figures to interpret the distinction between the scenarios of labor market prior to aftermath of the Covid 19 Pandemic. The objective of the paper has been covered by the following two statistical tests Simple Linear Regression and Karl Pearson Correlation Coefficient and later a review has been made on the same to depict the picture with more visibility.

3. ANALYSIS

According to Annual data of Periodic Labor Force Survey PLFS (PLFS) 2017-2021, a fall in the unemployment rate was noticed overall from 6.1%, 5.8%, 4.8% and at 4.2% for the years 2017-2018, 2018-2019, 2019-2020 and 2020-2021 respectively. During the times of national economic shutdown, the Unemployment rate⁴ was supposed to be high but the data on the same depicts a different picture to the complete scenario. The study therefore tries to pin down the factor as categorized by distribution of workers in Current Weekly Status by broad industry of work. The study deals with the urban areas because cities which are considered to be the main destination of migrant workers suffer from the black swan event Covid 19 restrictions. The lives in the city and economic activities halted or reduced and this has caused intervention in

communication and transportation compelling the employers, business and migrant workers to seek solutions for maintaining business operations. Considering the unemployment rate for the urban areas, it was recorded at 7.8%, 7.7%, 7% and 6.7% in 2017-2018, 2018-2019, 2019-2020, and 2020-2021 respectively.

Table 1: Percentage distribution of workers by broad industry of work in CWS in urban areas for all ages

Unemployment	Own account worker employer	Halper in household expenditure	Self employed	Regular wage Salaried Employees	Casual labor
9.8	32.4	5.3	38.9	48.3	12.8
9.7	32	5.2	38.2	49.1	12.7
9.9	31.9	5.1	37.9	49.5	12.6
9.3	32	5	37.7	50	12.4
8.9	32	4.9	37.7	50	12.3
8.4	32.2	5.2	38.3	49.6	12.1
7.9	31.8	5.2	38	50	12.1
9.1	30.4	5.1	38.3	50.5	11.2
20.9	20.9	5.1	41	52.7	6.3
13.3	31.2	3.8	39.2	49.3	11.4
10.3	32.4	5.5	38.9	48.7	12.4
9.4	32.9	5.6	39.3	48.1	12.7
12.7	29.3	5	40.7	49	10.2
9.8	33	5.3	39.1	48.7	12.2
8.8	33.1	5.5	39.1	48.4	12.5
8.2	33.1	5.6	39.3	48.3	12.4
7.6	32.9	5.7	39.2	48.6	12.1

Source: Periodic Labor Force Survey Quarterly Bulletin Data

Table 2: Coefficients of Simple Linear Regression

Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-205.222	436.355		-0.470	0.647
	Own account worker employer	-1.618	0.388	-1.489	-4.174	0.002
	Helper in household expenditure	-2.061	0.554	-.282	-3.719	0.003
	Self employed	3.559	4.456	1.069	0.799	0.441
	Regualr wage Salaried Employees	1.898	4.303	.681	0.441	0.668
	Casual labor	3.810	4.172	1.897	0.913	0.381

Source: Author's own calculation

Table 3: Correlation between Own_account_worker_employer, Helper_in_household_expenditure and Unemployment

		Unemployment	Own_account_worker_employer	Helper_in_household_expenditure
Unemployment	Pearson Correlation	1	-.0923**	-0.378
	Sig. (2-tailed)		0.000	0.135
	N	17	17	17
Own_account_worker_employer	Pearson Correlation	-.0923**	1	0.233
	Sig. (2-tailed)	0.000		0.368
	N	17	17	17
Helper_in_household_expenditure	Pearson Correlation	-0.378	0.233	1
	Sig. (2-tailed)	0.135	0.368	
	N	17	17	17

** . Correlation is significant at the 0.01 level (2-tailed).

Source: Author’s own calculation

The study runs two statistical tests, Simple Linear Regression and Karl Pearson to identify the dominant factor for the decline in unemployment rate among the distribution of workers in CWS by broad status in employment. Simple Linear Regression Model has been used to determine the value of an output variable (or response) based on the value of an input (or predictor) variable. The independent variables are the distribution of workers in CWS by broad status in employment, classified as Own account worker employer, helper in household enterprise, self-employed, regular wage and the later Unemployment rate as Dependent variable. Karl Pearson Correlation Coefficient has been used to measure the strength of the significant variable(s) on Unemployment. The first and the foremost analysis come on running the Simple Linear Regression. The variable Own_account_worker_employer⁵ and Helper_in_hosehold_expenditure⁶ are statistically significant at 5% level; of significance. These two variables are identified to be some of the factors that determine the fall in the unemployment rate in urban areas. Later Karl Pearson Correlation Coefficient has been carried out to measure the strength. It has been noticed that the significant variables Own_account_worker_employer and Helper_in_household_expenditure have a negative correlation on the dependent variable. The statistical test identifies these two dominant factors that bring a change in the unemployment rate in the urban areas even during the times of the Pandemic. The rationale behind these factors coming out to be the dominant reasons to have an impact on the fall in unemployment in the urban areas have to sustain on their own other than the situation in rural areas where people engage themselves in other fields like agriculture, dairy farming and so on population in the urban areas are completely bounded under their roofs of their homes and therefore to go through, they resorted to own_account_worker_employer and Helper_in_household_expenditure because when the individual does not have to depend on others rather they operate their own farm or nonfarm enterprise or are engaged independently in a profession or trade on own account or helper in the household expenditure to maintain the basic standard of living.

4. CONCLUSION

The contradictory falling picture of unemployment during the era of Covid 19 has revealed many folds. Though Covid 19's eruption rocked the health industry, but it has also turned the economy upside down. It has made the issues with high unemployment and weak overall demand, which the Indian economy was already facing before the pandemic, worse. Not only has it led to significant job losses, but it has also contributed to the pervasive poverty that has existed for years. The circumstance has gotten worse. But on a positive note this Pandemic has enabled them to independent and self-reliant. The falling unemployment rate is an example for the same. The Government of India must take necessary steps for the informal workforce to strengthen them.

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